

RECOVERY ACT CHANGES

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What is a *bona fide* tenant and how does it impact NSP1?

A *bona fide* tenant is a renter who pays fair market rent and obtained the rental/lease as a result of an arm's length transaction. Congress provided a statutory definition of a *bona fide* tenant for NSP in connection with tenant's rights and notifications required under the Recovery Act. The definition can be found in the statute and the HUD Bridge Notice. The definition applies only to the Recovery Act requirements for NSP-funded acquisitions of foreclosures by the successor of interest (lender) that occurred after February 17, 2009.

Updated 08/12/09

How does the Recovery Act impact revenues generated by NSP1-funded activities?

The Recovery Act repealed the program income requirements for NSP by making the following changes:

- Revenue (i.e., gross income) received by a state, unit of general local government, or subrecipient (as defined at 24 CFR 570.500(c)) that is directly generated from the use of CDBG funds (which term includes NSP grant funds) constitutes CDBG program income. To ensure consistency of treatment of such program income, the definition of program income at 24 CFR 570.500(a) shall be applied to amounts received by states, units of general local government, and subrecipients.
- Cash management. Substantially all program income must be disbursed for eligible NSP activities before additional cash withdrawals are made from the U.S. Treasury.
- Agreements with subrecipients. States and units of general local government must incorporate in subrecipient agreements such provisions as are necessary to ensure compliance with the requirements of this section.